

Message Text

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ACTION NEA-16

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 L-03 H-03 PM-07 DODE-00 NSCE-00 SSO-00 USIE-00

INRE-00 USIA-15 PA-04 PRS-01 DRC-01 /167 W

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O 300730Z JUL 74

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC IMMEDIATE 8075

C O N F I D E N T I A L SECTION 1 OF 2 JIDDA 4418

REF : STATE 164102

FOLLOWING MESSAGE SENT ACTION LONDON AND JIDDA FROM
USDEL RIYADH ON 24 JUL BEING REPEATED TO YOU. QUOTE:

SECTION 1 OF 2 USDEL RIYADH 0029

LONDON FOR SECRETARY SIMON FROM PARSKY
INFO BENNETT WITH SIMON PARTY
JIDDA FOR AMBASSADOR

E.O.: 11652: GDS

TAGS: EAID, SA

SUBJ: NEW US-SAUDI INDUSTRIALIZATION WORKING AGREEMENT

1. WE HAVE SIGNED A REPORT CONCLUDING THE WORKING GROUP
SESSIONS ON INDUSTRIALIZATION. THE COMPLETE TEXT FOLLOWS.
PLEASE REFER TO ITEM VI WHICH OUTLINES THE ACTIONS TO
BE TAKEN, YOU WILL NOTE THAT WE HAVE AGREED TO SEND FIVE
EXPERTS TO SAUDI ARABIA IN AUGUST AND OTHERS IN SEPTEMBER.
WE ARE ALSO URGING A PERMANENT U.S. STAFF HERE TO SUPPORT
THE COMMISSION. I WILL BE TALKING TO MINISTER ABA AL
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KHAIL AND PRINCE FAHD ABOUT THIS FURTHER BEFORE I LEAVE.

THERE ARE A NUMBER OF OTHER IMMEDIATE ACTIONS WE HAVE TAKEN. THE SAUDIS ALL SEEM ENTHUSIASTIC ABOUT IT.

2. I HAVE SPOKEN FURTHER ABOUT THE INVESTMENT PROPOSAL AND ANSWERED A NUMBER OF QUESTIONS. THEY ARE STILL STUDYING IT AND NOT REPEAT NOT YET READY TO COMMIT. I WILL HAVE FURTHER DISUCSSIONS ON SATURDAY WHICH HOPEFULLY WILL RESULT IN GOOD NEWS.

3. THE COMPLETE TEXT OF THE INDUSTRIALIZATION REPORT IS AS FOLLOWS:

BEGIN TEXT:

THE AMERICAN-SAUDI WORKING GROUP DISCUSSED A NUMBER OF AREAS FOR COOPERATION IN THE FIELD OF INDUSTRIAL DEVELOPMENT OF SAUDI ARABIA, INCLUDING THE FOLLOWING:

1. GOVERNMENTAL AND ADMINISTRATIVE INSTITUTIONS AND REGULATIONS. THE AMERICAN-SAUDI TEAM RECOGNIZED THE NEED TO IMPROVE CERTAIN INSTITUTIONS & REGULATIONS TO ENHANCE THE INDUSTRIAL DEVELOPMENT OF SAUDI ARABIA. IMPROVEMENT OF SUCH FACILITIES AND REMOVAL OF IMPEDIMENTS WILL CREATE THE APPROPRIATE CLIMATE FOR INDUSTRIAL DEVELOPMENT AND IMPROVE THE INDUSTRIAL BASE NEEDED TO ACHIEVE THE INDUSTRIAL OBJECTIVES OF SAUDI ARABIA. SUCH INSTITUTIONS & REGULATIONS INCLUDE, BUT ARE NOT NECESSARILY LIMITED TO, THE FOLLOWING.

- 1) INDUSTRIAL STATISTICS AND INFORMATION
- 2) CUSTOMS AND PORT MANAGEMENT
- 3) REGULATORY GUIDELINES FOR INVESTMENT
- 4) COMMERCIAL REGULATIONS
- 5) COMMUNICATIONS
- 6) DOMESTIC FINANCIAL MARKET STRUCTURE
- 7) ENVIRONMENTAL STANDARDS

II. ASSISTANCE IN PROJECT IMPLEMENTATION. THE INDUSTRIALIZATION WORKING GROUP DISCUSSED A NUMBER OF WAYS IN WHICH ASSISTANCE IN THE IMPLEMENTATION OF INDIVIDUAL PROJECTS COULD BE PROVIDED, INCLUDING THE FOLLOWING:

- 1) ASSISTANCE TO THE ORGANIZATIONS CONCERNED

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WITH INDUSTRIAL DEVELOPMENT IN THEIR CAPACITY TO PREPARE FEASIBILITY STUDIES AND TO EVALUATE AND IMPLEMENT PROJECTS.

- 2) ASSITANCE THROUGH PROVIDING SUCH OTHER TECHNICAL SERVICES AS AGREED FOR INDUSTRIAL DEVELOPMENT (E.G., LABORATORY SERVICES, INFORMATION, SPECIAL RESEARCH PROJECTS RELATED TO INDUSTRIAL PROBELEMS, ETC.)

- 3) ASSISTANCE IN ESTABLISHING AND EQUIPPING A CENTER FOR INDUSTRIAL INFORMATION AND DOCUMENTATION.
 - 4) ASSISTANCE IN THE DEVELOPMENT OF INDUSTRIAL PROFILES FOR SMALL AND MEDIUM INDUSTRIES TAKING INTO CONSIDERATION CONDITIONS IN SAUDI ARABIA.
 - 5) ASSISTANCE IN ESTABLISHING AND STAFFING AN INDUSTRIAL MANAGEMENT INSTITUTE.
 - 6) ASSISTANCE IN DEVELOPING A DETAILED PROGRAM FOR THE COMMENCEMENT AND DEVELOPMENT OF AN ELECTRONIC INDUSTRY.
 - 7) ASSISTANCE IN THE IMPROVEMENT OF STANDARDS FOR THE CONSTRUCTION AND FOOLD INDUSTRIES.
 - 8) ASSISTANCE IN THE DEVELOPMENT OF MARINE FISHERIES.
 - 9) ASSISTANCE IN THE ESTABLISHMENT OF A TEHC-NOLOGY CENTER. THIS SUBJECT WILL BE EXPLORED FURTHER BY THE SCIENCE AND TECHNOLOGY WORKING GROUP.
 - 10) ASSISTANCE IN SECURING TECHNOLOGICAL KNOW-HOW TO SAUDI ARABIA.
 - 11) ASSISTANCE IN THE MARKETING OF SAUDI INDUSTRIAL PRODUCTS IN FOREIGN MARKETS, INCLUDING REGIONAL MARKETS.
 - 12) ASSISTANCE IN SECURING NECESSARY SUPPLIES OF RAW MATERIALS, MECHINERIES AND SPARE PARTS AS NEEDED BY SAUDI INDUSTRIES.
- III. ENCOURAGEMENT OF INVOLVEMENT OF U.S. COMPANIES IN SAUDI ARABIA. THE SAUDI MEMBERS OF THE WORKING GROUP SUBMITTED A TENTATIVE LIST OF DESIRABLE INDUSTIRAL PROJECTS. A NUMBER OF WAYS IN WHICH THE UNITED STATES GOVERNMENT COULD ASSIST IN ENCOURAGEMENT OF U.S. CONFIDENTIAL

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PRIVATE PARTICIPATION IN THESE PROJECTS WAS DISCUSSED; JOINT VENTURE PARTNERS IN SAUDI ARABIA. ATTENTION WILL BE GIVEN TO PROJECTS FOR BOTH THE HYDRO-CARBON AND NON-HYDROCARBON INDUSTRIES.

IV. GOVERNMENTAL INCENTIVES FOR INDUSTRIALIZATION. CERTAIN GOVERNMENTAL INCENTIVES ON BOTH SIDES WERE DISCUSSED WITH A VIEW TO ACCELERATING THE INDUSTRIAL DEVELOPMENT OF SAUDI ARABIA AND TO ATTRACT FOREIGN INVESTORS. THE INDUSTRIALIZATION WORKING GROUP AGREED TO REVIEW POSSIBLE INCENTIVES, INCLUDING, BUT NOT NECESSARILY LIMITED TO:

- 1) TARIFFS APPLICABLE TO GOODS AND PRODUCTS ARRIVING IN THE U.S. MARKETS PRODUCED IN

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ACTION NEA-16

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-03

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INRE-00 PA-04 PRS-01 DRC-01 /152 W

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FM AMEMBASSY JIDDA

TO SECSTATE WASHDC IMMEDIATE 8076

C O N F I D E N T I A L SECTION 2 OF 2 JIDDA 4418

SAUDI ARABIA WITHIN THE CONTEXT OF THE
FORTHCOMING MULTILATERAL TARIFF NEGOTIATIONS.

2) TAX POLICIES WHICH MAY INHIBIT U.S. COMPANIES
INVESTING IN SAUDI ARABIA.

3) PROVISION OF ADEQUATE CREDIT FACILITIES TO
ENCOURAGE TRADE BETWEEN U.S. AND SAUDI ARABIA.

4) DEVELOPMENT OF ADEQUATE PATENT PROTECTION AND
LICENSING SYSTEM.

5) AGREEMENT PERMITTING OVERSEAS PRIVATE INVEST-
MENT CORPORATION TO ISSUE INSURANCE COVERING
INVESTMENT IN SAUDI ARABIA.

V. TRAINING AND MANPOWER. THE WORKING GROUP RECOGNIZED
THE URGENT NEED FOR INDUSTRIAL TRAINING, INCLUDING THE
ESTABLISHMENT OF TECHNICAL CENTERS AND TURN-KEY
TRAINING PROGRAMS AND ON-THE-JOB TRAINING. IT WAS RECOM-
MENDED THAT THIS AREA BE DEALT WITH IN DETAIL IN THE
MANPOWER AND EDUCATION WORKING GROUP.

VI. NEXT STEPS. BECAUSE OF THE SCOPE AND URGENCY OF THE
PROGRAMS ENVISIONED TO BE UNDERTAKEN THROUGH THIS
COOPERATIVE EFFORT, IT WAS AGREED THAT:

1) PROVIDING EXPERTS WOULD BE GREATLY
ASSISTED BY HAVING A U.S.-SAUDI TECHNICAL

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COOPERATION AGREEMENT, AND THE JOINT WORKING GROUP AGREED TO TAKE IMMEDIATE STEPS TO SEE THAT SUCH AN AGREEMENT, WHICH WOULD APPLY TO ALL WORKING GROUPS, BE NEGOTIATED.

2) U.S. GOVERNMENT WOULD ASSIGN AT THE EARLIEST POSSIBILITY, FOLLOWING A SAUDI GOVERNMENT REQUEST, PERSONNEL IN THE SAUDI CAPITAL TO THE OFFICE OF THE JOINT COMMISSION ON ECONOMIC COOPERATION AS AGREED UPON. SUCH PERSONNEL WOULD PROVIDE ASSISTANCE IN THE IMPLEMENTATION OF SPECIFIC PROJECTS AND MAINTAIN CONTINUITY FOR THE JOINT WORKING GROUPS AND CLOSE LIAISON WITH THEIR SAUDI COUNTERPARTS.

3) THE U.S. GOVERNMENT AGREED TO ASSIGN CERTAIN EXPERTS UNDER THE AUSPICES OF THE JOINT COMMISSION TO ACT AS ADVISORS TO INDUSTRIAL STUDIES AND DEVELOPMENT CENTRE, PETROMIN, AND SUCH OTHER SAUDI ARABIAN GOVERNMENT AGENCIES AS MAY BE APPROPRIATE.

4) THE U.S. GOVERNMENT WOULD PROVIDE TECHNICAL EXPERTS IN THE FOLLOWING FIELDS:

A. DURING AUGUST 1974 -

1. TWO EXPERTS TO EVALUATE AND PROPOSE A PROGRAM TO IMPROVE THE STATISTICAL BASE AND INDUSTRIAL INFORMATION AND DOCUMENTATION CAPABILITY. THESE TWO EXPERTS WILL BE DETAILED TO THE INDUSTRIAL STUDIES AND DEVELOPMENT CENTRE.

2. ONE EXPERT TO ADVISE ON THE IMPROVEMENT OF PORT MANAGEMENT. HE WILL BE DETAILED TO THE MINISTRY OF COMMUNICATIONS.

3. ONE EXPERT TO EVALUATE EXISTING CONDITIONS AND ADVISE ON THE IMPROVEMENT OF CUSTOMS PROCEDURES. HE WILL BE DETAILED TO THE MINISTRY OF FINANCE.

4. ONE EXPERT TO EVALUATE AND ASSIST IN ESTABLISHING ENVIRONMENTAL AND POLLUTION STANDARDS. THIS EXPERT WILL BE DETAILED TO PETROMIN.

B. DURING SEPTEMBER 1974, UNDER THE TECHNICAL COOPERATION AGREEMENT MENTIONED ABOVE,
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EXPERTS WILL BE PROVIDED TO -

1. ADVISE ON THE IMPROVEMENT OF STANDARDS

FOR INDUSTRIAL CONSTRUCTION AND OTHER
AREAS.

2. ADVISE ON DEVELOPMENT OF MARINE FISHERIES.

3. ADVISE ON ESTABLISHMENT OF INTERNATIONAL
STANDARDS FOR PROTECTION OF PATENTS AND
COPYRIGHTS.

4. ADVICE IN THE IMPROVEMENT OF COMMUNICA-
TIONS FACILITIES.

5. UNITED STATES GOVERNMENT WOULD ENCOURAGE
INVOLVEMENT OF THE U.S.PRIVATE SECTOR IN
PARTICIPATION IN JOINT VENTURES.

6. WITHIN THE CAPACITY OF THE U.S. CORPS OF
ENGINEERS, THE UNITED STATES GOVERNMENT
WOULD SEEK TO EXPAND THE ROLE OF THE CORPS
OF ENGINEERS BEYOND WHAT IT DOES
FOR THE MINISTRY OF DEFENSE AND AVIATION TO
INCLUDE PUBLIC INFRASTRUCTURE PROJECTS
RELATED TO INDUSTRY.

7. AS PART OF A CONTINUING CONSULTATION ON THE
WORLD FOOD AND FERTILIZER SITUATION, BEFORE
OCTOBER 1, 1974, TWO SAUDI REPRESENTATIVES,
ONE FROM THE MINISTRY OF COMMERCE AND INDUSTRY,
AND ONE FROM PETROMIN, WILL VISIT THE UNITED
STATES TO REVIEW TENNESSEE VALLEY AUTHORITY
(TVA) OPERATIONS AND RECOMMENDED CERTAIN TVA
ASSISTANCE NEEDED IN THE FERTILIZER PROGRAM
IN SAUDI ARABIA.

8. IT WAS AGREED TO HOLD ANOTHER MEETING OF
JOINT WORKING GROUP ON INDUSTRIALIZATION IN
WASHINGTON, D. C. FROM TUESDAY, SEPTEMBER 23
THROUGH THURSDAY, SEPTEMBER 25, 1974.

SIGNED AND AGREED BY: DR. MAHSOUN B. JALAL, PROJECT
LEADER OF SAUDI INDUSTRIAL WORKING GROUP; DR. DOLIMAN
SOLAIM, MINISTRY OF FINANCE; DR. CHARLES W. HOSTLER,
PROJECT LEADER OF UNITED STATES INDUSTRIAL WORKING
GROUP; GERALD L. PARSKY, ASSISTANT SECRETARY, U.S.
DEPARTMENT TREASURY. END OF TEXT. SIGNED AKINS UNQUOTE AKINS

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Message Attributes

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